FINANCIAL REPORT

Half-year ended June 30, 2008

Rhodia

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This English language version of the financial report for the half-year ended June 30, 2008 is a free translation of the original French text. It is not a legally or, in any manner, binding document. In the event of a conflict in the interpretation of its content, reference should be made to the French version which is the original and authentic text.

1 PERSONS RESPONSIBLE

1.1 PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

Jean-Pierre CLAMADIEU, Chairman and Chief Executive Officer.

1.2 DECLARATION OF THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

"I hereby declare that, to the best of my knowledge, the condensed consolidated financial statements for the six months ended June 30, 2008 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and results of the Group and that the accompanying half-year financial report includes a faithful representation of the major events which occurred during the first six months of the fiscal year, their impact on the financial statements, and the main related-party transactions as well as a description of the major risks and uncertainties for the remaining six months of the fiscal year."

Jean-Pierre CLAMADIEU,
Chairman and Chief Executive Officer

2 HALF-YEAR FINANCIAL REPORT

The half-year financial report should be read in conjunction with the condensed consolidated financial statements for the half-year ended June 30, 2008 and the company's reference document for the fiscal year 2007 filed with the *Autorité des Marchés Financiers* - AMF (French securities regulator) on March 31, 2008 under number D.08-0182.

2.1 RISK FACTORS AND UNCERTAINTIES

The half-year financial report includes certain assumptions and expectations which, by their very nature, may not prove accurate. The primary risks and uncertainties mentioned below may have a negative impact on the business, the financial position, income and outlook for the Group or its share price, particularly during the remaining six months of the fiscal year.

- Risks related to Rhodia's markets and businesses, and particularly: country risks (risks and uncertainties related to the conduct of business in a certain number of countries which may be exposed or which have been exposed to economic or political instability), risks associated with competition, risks associated with market cycles (changes in economic or technological trends), risks related to the costs of raw materials and energy, risks associated with the optimization of the value of emission credits (CER - Certified Emission Reductions) allocated in connection with the greenhouse gas reduction projects in South Korea and Brazil (developed within the framework of the Kyoto Protocol Clean Development Mechanism), and then customer and supplier risk;

- Environmental and industrial risks, and particularly: risks induced by current or future regulations, risks associated with the discovery of historical pollution, product risks and risks associated with work-related illnesses;

- Financial risks, and particularly those relating to Rhodia's financial resources, restrictions imposed on credit lines and other borrowings, debt rating and pension costs;

- Risks related to the financial markets, and particularly exposures to rate fluctuations (interest rates and the exchange rates of certain foreign currencies other than the Euro, mainly the US dollar, the Brazilian real and currencies influenced by the US dollar), price fluctuations of oil-based commodities, price fluctuations of Carbon instruments;

- Legal and contractual risks and particularly risks associated with legal proceedings and arbitrage, risks associated with patents, risks associated with joint ventures and the risk of internal control system deficiencies.

A detailed description of risk factors which could have a significant impact on the company's current or future income is included in Section 4 "Risk factors" of the 2007 reference document which was filed with the *Autorité des Marchés Financiers* on March 31, 2008.

Certain other risks and uncertainties which have yet to be identified or are considered immaterial by Rhodia could also have a negative impact, especially during the remaining six months of the fiscal year.

2.2 GROUP BUSINESSES

2.2.1 Overview of businesses – Operating and financial review

2.2.1.1 Management analysis principles

This section contains information comparing year to year in the performance of Rhodia and its Enterprises, specifically unaudited accounting data derived from management reports relating to the impact of the following items on net sales and the principal line items of Rhodia's income statement:

- changes in scope of consolidation (for example, as a result of acquisitions, divestitures, changes in consolidation not reclassified as discontinued operations and, with respect to comparisons of Enterprise results, transfers of businesses between Enterprises);
- exchange rate fluctuations arising from the translation into euros of net sales, expenses and other income statement line items that are denominated in currencies other than the euro;
- changes in average selling prices;
- changes in volumes; and
- transactional exchange rate impact (defined as the difference arising from the translation into local currencies of sales and purchases denominated in another currency).

Rhodia has implemented this measure and tracks the development of its performance based on quarterly reports submitted by its various entities and uses it for its internal analysis requirements. The same management information is used for its financial reporting. For the comparison of profits from operations between two periods (the "prior" period, for example, the first half of 2007, and the "subsequent" period, for example, the first half of 2008), Rhodia calculates the impact of these changes as follows:

- The impact of changes in the scope of consolidation is calculated by, (i) in the case of acquisitions, including in the prior period data, the subsequent period results generated by the acquired entity, at minimum for the prior period months when the company was not yet acquired and at maximum for a period not exceeding the number of months the acquired entity was present in the subsequent period, and (ii) in the case of divestitures, excluding from the results of the prior period any activities which were included in the consolidated financial statements during all or part of the prior period but which were not included in the subsequent period.
- The impact of exchange rate fluctuations is calculated by adjusting the prior period's results for exchange rate fluctuations by translating into euros the accounting balances for the prior period denominated in currencies other than euros at the average exchange rates adopted for the subsequent period.
- The impact of changes in average selling prices is calculated by comparing the weighted average net unit selling price for each product in the subsequent period (e.g. the euro cost per ton) with the weighted average net unit selling price in the prior period, multiplied in both cases by the volumes sold during the subsequent period.
- The impact of changes in volumes is calculated by comparing quantities shipped in the subsequent period with the quantities shipped in the prior period, multiplied in both cases by the weighted average net unit selling price in the prior period.

Rhodia believes these measurements are useful tools for analyzing and explaining changes and trends in its historic results of operations, as they allow performance to be compared on a regular basis. They are not, however, audited and are not performance measurements with respect to standards or IFRS. They should not be considered to replace performance measurements with respect to standards or IFRS. The methods of calculating changes used by Rhodia may differ from those used by other companies.

Moreover, Rhodia uses the following pro forma indicators for its analyses and financial reporting:

- Recurring EBITDA, defined as operating profit or loss before depreciation, amortization and impairment, restructuring costs and other operating income and expenses;
- Free Cash Flow, defined as the difference between net cash provided by operating activities (excluding non-recurring refinancing expenses) and purchases of property, plant and equipment and other non-current assets.

2.2.1.2 Accounting aspects

The condensed consolidated financial statements for the half-year ended June 30, 2008 were prepared using the same accounting methods as those adopted for the preparation of the consolidated financial statements for the year ended December 31, 2007.

The standards, interpretations and amendments adopted by the European Union at June 30, 2008 and their mandatory adoption in 2008 had no impact on the condensed consolidated financial statements for the half-year ended June 30, 2008.

According to the Group, the other standards, interpretations and amendments already adopted by the European Union but not yet applicable have no impact on the financial statements.

2.2.1.3 Group operating results for the half-years ended June 30, 2007 and 2008

With regard to the finalization of its business portfolio repositioning, the Group entered into negotiations in the first quarter of 2008 in order to sell its Isocyanates business. The financial data relating to this business was therefore reclassified in the 2007 and 2008 income statements under profit/(loss) from discontinued operations, as defined by IFRS 5.

Following this announcement, the Enterprise Organics was discontinued. Its 3 businesses were reallocated as follows:

- the Isocyanates business was classified as a discontinued operation as from March 31, 2008,
- the Diphenols business was transferred to Silcea,
- the Fine Chemicals business was transferred to Corporate and Other.

Rhodia was therefore reorganized into the following 6 Enterprises:

- Polyamide whose group structure remains unchanged,
- Novecare whose group structure remains unchanged,
- Silcea which currently includes the Diphenols business of the former Enterprise Organics,
- Energy Services whose group structure remains unchanged,
- Acetow whose group structure remains unchanged,
- Eco Services whose group structure remains unchanged.

The following table shows an analysis of Rhodia's operating profit/(loss) for the half-years ended June 30, 2007 and 2008:

	Half-year ended June 30,		
(in millions of euros)	2007	2008	% change
Net sales	2, 408	2, 413	0.2%
Other revenue	235	258	9.8%
Cost of sales	(2,084)	(2,162)	(3.7)%
Administrative and selling expenses	(260)	(256)	1.5%
Research and development expenditure	(44)	(37)	15.9%
Restructuring costs	(22)	(6)	72.7%
Other operating income / (expenses)	7	(2)	(128.6)%
Operating profit/(loss)	240	208	(13.3)%

Net sales

Rhodia's net sales for the half-year ended June 30, 2008 totaled €2,413 million and remained stable period-on-period. The satisfactory level of demand in virtually all the Group's businesses allowed for price increases, thus offsetting the very sharp rise in raw material and energy costs. Exchange rate fluctuations (translation and transactional impacts) had a negative 7.2% impact mainly due to the depreciation of the US dollar against the euro.

Cost of sales

Cost of sales increased by €(78) million or (3.7)%, from €(2,084) million in the first half of 2007 to €(2,162) million in the first half of 2008. This significant rise in costs primarily reflects the increase in raw material and energy prices, partly offset by the favorable conversion effects, mainly attributable to the depreciation of the US dollar against the euro.

Administrative and selling expenses

Administrative and selling expenses declined slightly by 1.5% to reach €(256) million for the half-year ended June 30, 2008, compared to €(260) million in the half-year ended June 30, 2007. This decrease was mainly due to a favorable conversion impact.

Research and development expenditure

Research and development expenditure declined by 15.9% or €7 million in the first half of 2008 compared to 2007 primarily due to the increase in research tax credit.

Restructuring costs

Restructuring costs totaled €(6) million, down 72.7% compared to the first half of 2007.

In the first half of 2007, three new restructuring plans were announced within Organics (planned closure of activity at the Mulhouse Dornach site, planned closure of the nitrophenol production activity in Roussillon and planned closure of the coolant and hydrofluoric acid production workshop at the Avonmouth site in the UK).

Other operating income and expenses

Other operating expenses totaled €(2) million for the half-year ended June 30, 2008, compared to an operating income of €7 million for the same period in 2007.

For the half-year ended June 30, 2007, operating income and expenses corresponded to the net gains on the disposal of the Sulfur business in France to Adisséo and the disposal of the Di-Calcium Phosphates business to Innophos as well as the provisions for the bad debts with the Nylstar Group, whose main subsidiaries filed for bankruptcy in July 2007.

Operating profit/(loss)

Rhodia's operating profit for the half-year ended June 30, 2008 totaled €208 million, compared to €240 million for the half-year ended June 30, 2007, down (13.3)%.

2.2.1.4 Analysis of net sales and operating profit/(loss)

The following table presents an analysis of net sales for the half-years ended June 30, 2007 and 2008:

(in millions of euros)	Net sales for the half-year ended June 30, 2007	Consolidation scope	Exchange rate impact (translation)	Net sales for the half-year ended June 30, 2007 on a constant consolidation scope and exchange rate basis	Volume & mix	Selling price	Exchange rate impact (transactional)	Net sales for the half-year ended June 30, 2008	2007-2008 change in net sales	2007-2008 change in net sales on a constant consolidation scope and exchange rate basis
Rhodia	2,408	(1)	(95)	2,312	31	150	(80)	2,413	0.2%	4.4%
Polyamide	990	(3)	(13)	974	21	30	(54)	971	(1.9)%	(0.3)%
Novecare	490	(1)	(42)	447	(3)	32	(1)	475	(3.1)%	6.3%
Silcea	368	10	(19)	359	9	22	(6)	384	4.3%	7.0%
Energy Services	84			84	11	9		104	23.8%	23.8%
Acetow	215		(5)	210	18	15	(17)	226	5.1%	7.6%
Eco Services	108		(14)	94	(1)	34		127	17.6%	35.1%
Corporate & Other (after elimination of intercompany sales)	153	(7)	(2)	144	(24)	8	(2)	126	(17.6)%	(12.5)%

The following table shows the breakdown of net sales by Enterprise for the half-years ended June 30, 2007 and 2008:

(in millions of euros)	Half-year ended June 30, 2007	2008
Rhodia net sales	2,408	2,413
Net contribution to Rhodia net sales by Enterprise (%):		
Polyamide	41%	40%
Novecare	20%	20%
Silcea	15%	16%
Energy Services	4%	4%
Acetow	9%	10%
Eco Services	5%	5%
Corporate & Other (after elimination of intercompany sales)	6%	5%
TOTAL	100%	100%

The following table shows the breakdown of net sales by geographical area (based on client locations) for the half-years ended June 30, 2007 and 2008:

(in millions of euros)	Half-year ended June 30,	
	2007	2008
Rhodia net sales	2,408	2,413
Net contribution to Rhodia net sales by geographical area (%):		
France	8%	9%
Europe (excluding France)	32%	30%
North America	18%	18%
Latin America	16%	15%
Asia and other countries	26%	28%
TOTAL	100%	100%

The following table presents an analysis of the first half of 2008 operating profit/(loss) compared to 2007:

(in millions of euros)	Operating profit/(loss) June 30, 2007	Consolidation scope	Exchange rate impact (conversion)	Volume & product mix	Price	Foreign exchange/ Price	Price/ Raw materials & energy	Foreign exchange / Raw materials & energy	Fixed costs	Other operating income and expenses	Restructuring excluding amortization	Amortization & depreciation	Operating profit/(loss) June 30, 2008
Rhodia	240	(29)	(13)	9	150	(80)	(135)	38	(1)	18	16	(5)	208
Polyamide	68		(1)	3	30	(54)	(34)	29	(2)	22	1	1	63
Novecare	46	1	(7)	2	32	(1)	(25)		(5)	(1)	(1)	(1)	40
Silcea	57		(3)	(3)	22	(6)	(24)	1	(2)	(1)	(1)	1	41
Energy Services	77	1		10	9		(4)		(8)			1	86
Acetow	27			5	15	(17)	(14)	7	(1)			1	23
Eco Services	28		(5)	1	34		(29)		(3)				26
Corporate & Other	(63)	(31)	3	(9)	8	(2)	(5)	1	20	(2)	17	(8)	(71)

Group net sales

Rhodia's net sales for the half-year ended June 30, 2008 remained stable at €2,413 million. Exchange rate fluctuations resulted in a negative (3.9)% impact and were primarily attributable to the depreciation of the US dollar against the euro and, to a lesser extent, the depreciation of the Korean won and the Japanese yen against the euro, partly offset by the appreciation of the Brazilian real in relation to the euro.

At constant scope and currency conversion, net sales rose by 4.4% due to the growth in volumes for 1.3%, and higher selling prices for 6.5%. The transactional exchange rate impact was negative at (3.5)%, primarily due to the depreciation of the US dollar against the euro and the Brazilian real.

Group operating profit/(loss)

Rhodia's operating profit for the half-year ended June 30, 2008 totaled €208 million, compared to €240 million for the half-year ended June 30, 2007, down (13.3)%.

This decrease is mainly due to the (9.4)% decline in recurring EBITDA which totaled €355 million compared to €392 million in the first half of 2007. The recurring EBITDA margin amounted to 14.7% in the first half of 2008, compared to 16.3% for the same period in 2007.

The gain recorded in the first half of 2007 arising from the disposal of the Sulfur business in France and the disposal of the Di-Calcium Phosphates business explain the negative consolidation scope impact of €(29) million in the first half of 2008.

The €(13) million negative exchange rate impact results from the exchange rate fluctuations arising from the depreciation of the US dollar against the Brazilian real and the euro.

The growth in volumes led to a favorable impact of €9 million, due to the sale of CO_2 emission credits (CER) and the increase in volumes generated by Acetow, Polyamide and Novecare.

Rhodia continued to raise its selling prices, resulting in a positive impact of €150 million in local currencies. These price increases significantly offset the sharp rise in raw material and energy costs, which resulted in a negative impact of €(135) million in local currencies. The price increases were affected by a negative transactional exchange rate impact of €(80) million, while raw material and energy purchases benefited from a positive transactional exchange rate impact of €38 million.

The other factors contributing to the decline in the Group's operating profit for the half-year ended June 30, 2008 compared to the same period in 2007 are as follows:

- Other operating income and expenses, which included an exceptional expense relating to Nylstar in 2007, rose by €18 million.
- Restructuring costs, which included the costs of Organics restructuring in the first half of 2007, dropped by €16 million.
- Depreciation, amortization and impairment increased by €(5) million.
- Finally, fixed costs remained stable.

Polyamide

Net sales

Polyamide's net sales amounted to €971 million in the first half of 2008, down (1.9)%.

Exchange rate fluctuations generated a negative exchange rate impact of (1.3)%, which is mainly attributable to the depreciation of the Korean won and the US dollar against the euro, partly offset by the appreciation of the Brazilian real in relation to the euro.

At constant scope and currency conversion, net sales remain stable. The 2.2% rise in volumes during the half-year was satisfactory, due to a sustained demand in the engineering plastics sector, particularly in Asia, and the solvents sector in Brazil. The positive 3.1% impact of price increases offset virtually all raw material and energy cost increases. However, these price increases were partly curbed by US competitors, who benefited from a favorable exchange rate impact to sell their volumes made available by the slowdown in certain US markets. The depreciation in the US dollar against the Brazilian real and the euro gave rise to a negative transactional exchange rate impact of (5.5)%.

Operating profit/(loss)

Polyamide's operating profit totaled €63 million in the first half of 2008, compared to €68 million period-on-period, down (7.4)%.

This decline was due to the (21.1)% decrease in recurring EBITDA, which amounted to €112 million compared to €142 million in the first half of 2007. The recurring EBITDA margin amounted to 11.5% in the first half of 2008, compared to 14.3% in the first half of 2007.

Volumes rose by €3 million. The positive €30 million impact generated by price increases absorbed the negative €(34) million impact arising from raw material and energy cost increases. In addition, Polyamide suffered from the continued depreciation of the US dollar against the Brazilian real, which generated a negative transactional exchange rate impact[1] of €(25) million.

The €(2) million negative impact on fixed costs was due to inflation.

Other operating income and expenses rose by €22 million, as an exceptional expense relating to Nylstar was taken into account in the first half of 2007.

The decrease in Polyamide's operating profit was also attributable to the negative €(1) million translation impact and the decrease in restructuring costs and depreciation, amortization and impairment for €2 million.

New price increases were introduced to offset the steady inflation in raw material and energy prices (Butadiene).

1 *Sum of the transactional exchange rate impact on selling prices and the transactional exchange rate impact on raw material and energy purchases.*

Novecare

Net sales

Novecare's net sales totaled €475 million in the first half of 2008, down (3.1)%.

The negative (8.6)% impact mainly corresponding to the Enterprise's businesses in the United States reflects exchange rate fluctuations, mainly arising from the depreciation of the US dollar against the euro.

At constant scope and currency conversion, net sales rose by 6.3%. The growth of volumes in the agrochemicals market and formulations for oil drilling continued in the first half of 2008. New selling price increases generated a positive 7.2% impact on net sales.

Operating profit/(loss)

Novecare's operating profit totaled €40 million in the first half of 2008, compared to €46 million in the first half of 2007, down (13)%.

This decline is due to the (7.9)% decrease in recurring EBITDA from €63 million in the first half of 2007 to €58 million in the first half of 2008. The recurring EBITDA margin amounted to 12.2% in the first half of 2008 compared to 12.9% in the first half of 2007.

Growth in volumes generated a positive impact of €2 million. Selling price increases, which had a positive impact of €32 million, more than offset the €(25) million rise in raw material and energy costs.

Exchange rate fluctuations, mainly arising from the depreciation of the US dollar against the euro, generated a negative €(7) million impact. Fixed costs rose by €(5) million mainly due to growth projects and inflation.

The decrease in Novecare's operating profit was also attributable to the positive €1 million consolidation scope impact, the negative €(1) million transactional exchange rate impact[(2)], the negative €(1) million impact from other operating income and expenses in addition to the rise in restructuring costs and depreciation, amortization and impairment for €(2) million.

For the remainder of 2008, Novecare should benefit from new opportunities to raise selling prices due to a favorable trend in its markets.

Silcea

Net sales

Silcea's net sales rose by 4.3% to €384 million in the first half of 2008. The consolidation of the Washcoat Alumina business in mid-2007 generated a positive consolidation scope impact of 2.7%. Exchange rate fluctuations, mainly arising from the depreciation of the US dollar and the Japanese yen against the euro, represent a negative impact of (5.2)%.

At constant scope and currency conversion, net sales increased by 7%, due to a 2.5% growth in volumes and a 6.1% rise in selling prices, despite a negative (1.7)% transactional exchange rate impact. This increase was backed by the solid performance of all Silcea's markets.

Operating profit/(loss)

Silcea's operating profit dropped (28.1)% to €41 million in the first half of 2008, compared to €57 million in the first half of 2007.

This decline is due to an (18.4)% decrease in recurring EBITDA from €76 million in the first half of 2007 to €62 million. The recurring EBITDA margin dropped from 20.7% in the first half of 2007 to 16.1% in the first half of 2008.

The price increases introduced in the first quarter of 2008 offset the substantial rise in the cost of raw materials and energy in the second quarter of 2008. Over the half-year, the positive impact of the price increases totaled €22 million, whereas the escalation of raw material and energy costs generated a negative impact of €(24) million.

The depreciation of the US dollar against the euro weighed heavily on the negative €(5) million transactional exchange rate impact[(2)] in addition to the negative €(3) million translation impact. Fixed costs increased by €(2) million due to growth projects and the new diphenol unit in China launched at the end of 2007.

Finally, restructuring costs and other operating income and expenses generated a negative €(2) million impact, partly offset by the €1 million decrease in depreciation, amortization and impairment.

Demand should remain satisfactory for the remainder of 2008.

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[2] *Sum of the transactional exchange rate impact on selling prices and the transactional exchange rate impact on raw material and energy purchases.*

Energy Services

Net sales

The net sales of Energy Services totaled €104 million in the first half of 2008, up 23.8%, mainly due to the sale of CO_2 emission credits (CER).

Operating profit/(loss)

The operating profit of Energy Services increased 11.7% from €77 million in the first half of 2007 to €86 million in the first half of 2008. This improvement mainly stems from the increase in recurring EBITDA which amounted to €91 million in the first half of 2008, compared to €83 million in the first half of 2007.

The rise in volumes generated a positive €10 million impact, primarily attributable to the increase in CER volumes and the growth of Orbeo. Price increases – mainly CER sales prices in a very buoyant carbon market– generated a positive €9 million impact, largely offset by higher production costs.

Due to the growth of the new CER production and sales business, fixed costs rose by €(8) million.

Finally, operating profit benefited from a positive consolidation scope impact and a €2 million reduction in depreciation, amortization and impairment.

Out of the 13 million tons of CER expected in 2008, 92% were sold forward at €15.2 per ton.

Acetow

Net sales

The first half of 2008 was marked by a turnaround in Acetow's market prices and volumes. The Enterprise's net sales improved by 5.1%, to reach €226 million.

Exchange rate fluctuations, mainly resulting from the depreciation of the US dollar against the euro, generated a negative (2.3)% impact.

At constant scope and currency conversion, Acetow's net sales rose by 7.6% due to growth in volumes and price increases which had positive impacts of 8.6% and 7.1%, respectively. However, the steady depreciation of the US dollar against the euro generated a negative transactional exchange rate impact of (8.1)%. The measures initiated in the first half of 2008 to denominate transactions in euros should gradually reduce the Enterprise's exposure to US dollar fluctuations as from the second half of 2008.

Operating profit/(loss)

Acetow's operating profit totaled €23 million in the first half of 2008, compared to €27 million in the first half of 2007, down (14.8)%. This decline reflects the (11.9)% decrease in recurring EBITDA to €37 million compared to €42 million in the first half of 2007. The recurring EBITDA margin amounted to 16.4% in the first half of 2008 compared to 19.5% in the first half of 2007.

The rise in volumes resulted in a favorable €5 million impact. The increase in sales prices, which had a positive impact of €15 million in local currencies, offset the negative €(14) million impact arising from the increase in raw material and energy costs. However, since a significant portion of Acetow's sales are denominated in US dollars, the Enterprise suffered from the steady depreciation of the US dollar against the euro, resulting in a negative €(10) million transactional[(3)] exchange rate impact.

Finally, the €1 million decrease in depreciation, amortization and impairment offset the €(1) million increase in fixed costs.

Additional price increases, the change in invoicing currency and the competitiveness plan should help improve EBITDA as from the third quarter of 2008.

Eco Services

Net sales

The net sales of Eco Services rose by 17.6% to reach €127 million in the first half of 2008.

The Enterprise's business was boosted by the solid performance of the sulfuric acid market. Substantial price increases generated a positive 31.5% impact. Exchange rate fluctuations, mainly resulting from the depreciation of the US dollar against the euro, generated a negative (13)% impact.

At constant scope and currency conversion, net sales increased by 35.1%.

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[3] *Sum of the transactional exchange rate impact on selling prices and the transactional exchange rate impact on raw material and energy purchases.*

Operating profit/(loss)

The operating profit of Eco Services dropped by (7.1)% to €26 million in the first half of 2008, compared to €28 million in the first half of 2007. This decrease stems from the (8.3)% decline in recurring EBITDA from €36 million in the first half of 2007 to €33 million in the first half of 2008. As Eco Services operates exclusively in the United States, recurring EBITDA was subject to a negative translation impact of €(6) million. The recurring EBITDA margin amounted to 26% in the first half of 2008, compared to 33.3% in the first half of 2007.

Growth in volumes in the amount of €1 million and price increases in the amount of €34 million more than offset the €(29) million increase in the raw material (sulfur) and energy (natural gas) costs.

Fixed costs rose by €(3) million due to inflation.

For the remainder of 2008, significant price increases will continue to offset rising sulfur costs.

Corporate & Other

Net sales

The net sales of Corporate & Other totaled €126 million, down (17.6)% mainly due to decline in volumes in the salicylic and fluoride businesses.

Operating profit/(loss)

Operating loss totaled €(71) million compared to €(63) million in the first half of 2007. This increase was due to:

- With regard to recurring EBITDA, a loss of €(38) million in the first half of 2008 compared to €(50) million in the first half of 2007. This evolution is attributable to:
  - the €20 million decrease in fixed costs due to the savings arising from the restructuring plans initiated in 2007 and savings made in the support departments;
  - the decline in volumes from discontinued sites offset by price increases.

- Decline in other operating income and expenses in the amount of €(2) million.

- A €17 million decrease in restructuring costs. In 2007, these restructuring plans concerned:
  - the discontinuation of operations at the Mulhouse Dornach site in France;
  - the discontinuation of the nitrophenol business at the Roussillon site in France;
  - the closure of the refrigerants and hydrofluoric acid production workshop at the Avonmouth site in the UK.

- An €(8) million increase in the depreciation, amortization and impairment of the assets in the fluoride business and software equipments.

2.2.1.5 Other income statement items

	Half-year ended June 30,		
(in millions of euros)	2007	2008	% change
Operating profit/(loss)	240	208	(13.3)%
Profit/(loss) from financial items	(202)	(98)	
Share of profit/(loss) of associates	0	1	
Income tax expense	(50)	(37)	
Profit/(loss) from continuing operations	(12)	74	
Profit/(loss) from discontinued operations	76	4	
Profit/loss for the period	64	78	
Attributable to equity holders of Rhodia S.A.	62	77	24.2%
Attributable to minority interests	2	1	

Profit/(loss) from financial items

Profit/(loss) from financial items totaled €(98) million, compared to €(202) million in the first half of 2007.

For the half-year ended June 30, 2007, the gross interest expense on borrowings was impacted by a non-recurring expense arising from refinancing transactions in the amount of €96 million.

It breaks down as follows:

- €(91) million of gross expenses corresponding to the penalties on the redemption of High Yield notes:
    - €(59) million with respect to the USD 415 million early redemption of US dollar-denominated High Yield Senior notes bearing interest at 10.25% and maturing in 2010;
    - €(32) million with respect to the early redemption of High Yield Senior and Subordinated notes maturing in 2010 and 2011 for principal amounts of USD 305 million and €332 million.
- €(3) million of fees and commissions on financial transactions corresponding to the accelerated amortization of the origination fees relating to the €300 million syndicated credit line (March 2006 Revolving Credit Facility), subsequent to its replacement by a new €600 million syndicated credit line in April 2007.
- €(2) million of expenses arising from interest-rate derivatives.

Besides, the gross interest expense on borrowings decreased by €18 million due to the reduction in the Group gross debt and the various refinancing transactions performed in 2007.

Share of profit/(loss) of associates

The share of profit of associates amounted to €1 million for the half-year ended June 30, 2008.

Income tax expense

For the half-year ended June 30, 2008, the Group recorded an income tax expense of €(37) million. The current income tax expense of €(35) million for the half-year ended June 30, 2008 mainly corresponds to the income tax reported by the US, Brazilian and Italian entities. The Group has not modified its estimate of the probability of recovering the deferred tax assets relating to French and British tax groups. Thus, no new deferred tax asset was recorded for the half-year ended June 30, 2008.

For the half-year ended June 30, 2007, the current income tax expense of €(40) million mainly corresponded to the income tax reported by the US, Brazilian and Italian entities.

Discontinued operations

See Note 8 to the condensed consolidated financial statements for the half-year ended June 30, 2008.

Minority interests

The profit attributable to minority shareholders totaled €1 million for the half-year ended June 30, 2008, compared to €2 million in the same period last year.

Profit attributable to Rhodia shareholders

The profit attributable to Rhodia shareholders amounted to €77 million for the half-year ended June 30, 2008, compared to €62 million for the half-year ended June 30, 2007.

2.2.2 Cash and equity

2.2.2.1 Information on the Group's equity

This paragraph provides an analysis of the consolidated balance sheet at June 30, 2008, compared to December 31, 2007.

2.2.2.1.1 Operating working capital

Operating working capital requirements totaled €664 million at June 30, 2008. The ratio of operating working capital requirements to total net sales was 12.4% at June 30, 2008.

2.2.2.1.2 Consolidated net debt

During the first half of 2008, Rhodia did not perform any debt refinancing transactions.

Total borrowings, defined as the sum of current and non-current borrowings, totaled €1,978 million at June 30, 2008, compared to €1,918 million at December 31, 2007.

This increase was mainly due to more significant drawdowns from existing bilateral credit lines.

Cash and cash equivalents and other current financial assets decreased from €434 million at December 31, 2007 to €408 million at June 30, 2008.

Consolidated net debt (defined as non-current and current borrowings less cash and cash equivalents and other current financial assets) increased from €1,484 million at December 31, 2007 to €1,570 million at June 30, 2008.

2.2.2.1.3 Retirement obligations and similar benefits

Retirement obligations correspond to the payment of pensions, supplementary pensions and retirement termination benefits.

Total obligations recognized in liabilities on the balance sheet amounted to €1,150 million at June 30, 2008, compared to €1,246 million at December 31, 2007. This decrease was mainly attributable to changes in assumptions (discount and inflation rates) and the revaluation of pension plan assets.

A description of the analysis of retirement obligations and similar benefits is presented in Note 11 to the condensed consolidated financial statements.

2.2.2.1.4 Provisions

Provisions classified as current and non-current liabilities totaled €423 million at June 30, 2008, compared to €456 million at December 31, 2007.

These provisions are analyzed by type as follows:

- restructuring provisions covering employee expenses and site closure costs;
- environmental provisions. Rhodia regularly assesses all its environmental liabilities and possible remediation measures. The provision is calculated based on discounted future cash flows;
- other provisions.

2.2.2.1.5 Other non-current liabilities

Other non-current liabilities totaled €41 million at June 30, 2008, compared to €29 million at December 31, 2007.

2.2.2.1.6 Shareholders' equity

At June 30, 2008, Rhodia's share capital amounted to €1,213,044,816, comprising 101,087,068 shares each with a par value of €12.

In the first half of 2008, the exercise of share subscription options resulted in the issue of 1,111 shares.

On January 15, 2008, Rhodia increased share capital by €8,617,512 or 718,126 shares in connection with the 2006 bonus share allotment plan.

On May 23, 2008, following the decision of the General Shareholders' Meeting of May 16, 2008, Rhodia paid out a dividend of €0.25 per share to its shareholder for a total amount of €25,091,957.75.

On June 12, 2007, pursuant to the decision of the Combined Shareholders' Meeting of May 3, 2007, Rhodia had performed a reverse share split by exchanging 12 former Rhodia shares each with a par value of €1 for one new Rhodia share with a par value of €12.

At June 30, 2008, 99.97% of the new shares were issued.

2.2.2.2 Group's consolidated cash flows

The following table presents an analysis of consolidated cash flows for the half-year ended June 30, 2008, compared to June 30, 2007.

(in millions of euros)	Half-year ended June 30, 2007	Half-year ended June 30, 2008
Cash flows		
Net income/(loss)	62	77
Net cash flow from operating activities before changes in working capital	147	233
Net cash from operating activities	74	76
Net cash from/(used by) investing activities	110	(136)
Net cash from/(used by) financing activities	(286)	30
Impact of exchange rate fluctuations	7	2
Net increase/(decrease) in cash and cash equivalents	(95)	(28)

2.2.2.2.1 Net cash flow from operating activities

Net cash flow from operating activities before changes in working capital totaled €233 million for the half-year ended June 30, 2008, compared to €147 million for the half-year ended June 30, 2007. In the first half of 2007, cash flow from operating activities was impacted by non-recurring costs in the amount of €72 million relating to refinancing transactions. Net cash from operating activities amounted to €76 million for the half-year ended June 30, 2008 compared to €74 million for the half-year ended June 30, 2007. This included an increase in working capital requirements from €(73) million in June 2007 to €(157) million in June 2008, mainly attributable to the sharp increase in selling prices reflected in trade receivables in addition to the temporary increase in working capital in the United States following the launch of the new IT system in April 2008.

2.2.2.2.2 Net cash flow from/(used by) investing activities

Net cash in the amount of €(136) million was used by investing activities in the half-year ended June 30, 2008, while net cash in the amount of €110 million was generated by investing activities in the half-year ended June 30, 2007.

The following factors explain this €(246) million decrease:

- A €19 million increase in purchases of property, plant and equipment;
- A €5 million increase in non-current loan repayments which generated cash flow of €4 million for the half-year ended June 30, 2008, compared to a negative cash flow of €(1) million for the half-year ended June 30, 2007;
- A significant €(271) million decrease in proceeds from the disposal of assets, which amounted to €269 million in the first half of 2007, compared to a €(2) million loss in the first half of 2008. In the first half of 2007, Rhodia had in particular finalized the sale of the Silicones business to China National BlueStar Corporation.

2.2.2.2.3 Net cash flow from financing activities

Net cash flow in the amount of €30 million was generated by financing activities in the half-year ended June 30, 2008, while net cash in the amount of €(286) million was used by financing activities in the half-year ended June 30, 2007. This net consumption mainly related to the refinancing transactions conducted in 2007 in the amount of €367 million for the early redemption of the majority of High Yield notes outstanding in February and May 2007, partially offset by the OCEANE bond issuance in April.

2.2.2.3 Liquidity and capital resources

In the first half of 2008, Rhodia did not perform any major debt refinancing transactions.

2.2.3 Subsequent events

No post closing event occurred.

3 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED JUNE 30, 2008

A. Consolidated statement of income

(in millions of euros)	Note	Quarter ended June 30,		Half-year ended June 30,		Year ended December 31,
		2008*	**2007***	**2008**	**2007**	**2007**
Net sales	**5**	**1,227**	**1,222**	**2,413**	**2,408**	**4,781**
Other revenue	5	107	85	258	235	463
Cost of sales		(1,080)	(1,029)	(2,162)	(2,084)	(4,168)
Administrative and selling expenses		(119)	(125)	(256)	(260)	(506)
Research and development expenditure		(17)	(23)	(37)	(44)	(93)
Restructuring costs		(4)	(3)	(6)	(22)	(55)
Other operating income / (expenses)		1	(12)	(2)	7	-
Operating profit/(loss)	**5**	**115**	**115**	**208**	**240**	**422**
Finance income	6	36	35	70	66	129
Finance costs	6	(93)	(120)	(170)	(269)	(420)
Foreign exchange gains/(losses)	6	1	1	2	1	(3)
Share of profit/(loss) of associates		1	-	1	-	2
Profit/(loss) before income tax		**60**	**31**	**111**	**38**	**130**
Income tax benefit/(expense)	7	(26)	(24)	(37)	(50)	(83)
Profit/(loss) from continuing operations		34	7	74	(12)	47
Profit/(loss) from discontinued operations	8	2	(3)	4	76	84
Net profit for the period		**36**	**4**	**78**	**64**	**131**
Attributable to:						
Equity holders of Rhodia S.A.		35	3	77	62	129
Minority interests		1	1	1	2	2
Earnings per share (in euros)						
Continuing and discontinued operations						
- Basic		**0.35**	**0.03**	**0.77**	**0.62**	**1.29**
- Diluted		**0.35**	**0.03**	**0.76**	**0.62**	**1.27**
Continuing operations						
- Basic		*0.34*	*0.06*	*0.72*	*(0.14)*	*0.46*
- Diluted		*0.33*	*0.06*	*0.71*	*(0.14)*	*0.45*
Weighted average number of shares before dilution		*101,087,068*	*100,350,875*	*101,027,205*	*100,350,069*	*100,357,347*
Weighted average number of shares after dilution		*101,682,959*	*101,432,151*	*102,388,742*	*101,359,978*	*101,636,057*

* These figures were not subject to a limited review by the Company's statutory auditors

B. Consolidated balance sheet

Assets

(in millions of euros)	Note	At June 30, 2008	At December 31, 2007
Property, plant and equipment		1,523	1,686
Goodwill		194	207
Other intangible assets		208	183
Investments in associates		14	13
Other non-current financial assets		104	113
Deferred tax assets		167	161
Non-current assets		**2,210**	**2,363**
Inventories		634	583
Income tax receivable		7	12
Trade and other receivables		1,053	965
Derivative financial instruments		107	96
Other current financial assets		21	19
Cash and cash equivalents		387	415
Assets classified as held for sale		165	25
Current assets		**2,374**	**2,115**
TOTAL ASSETS		**4,584**	**4,478**

Equity deficit and liabilities

(in millions of euros)	Note	At June 30, 2008	At December 31, 2007
Share capital	9	1,213	1,204
Additional paid-in capital	9	138	147
Other reserves	9	62	123
Deficit	9	(1,752)	(1,863)
Equity deficit attributable to equity holders of Rhodia S.A.		***(339)***	***(389)***
Minority interests	9	19	21
Total equity deficit		**(320)**	**(368)**
Borrowings		1,651	1,675
Retirement benefits and similar obligations	11	1,064	1,154
Provisions	12	278	318
Deferred tax liabilities		44	43
Other non-current liabilities		41	29
Non-current liabilities		**3,078**	**3,219**
Borrowings		327	243
Derivative financial instruments		125	68
Retirement benefits and similar obligations	11	86	92
Provisions	12	145	138
Income tax payable		19	8
Trade and other payables		1,082	1,071
Liabilities associated with assets classified as held for sale		42	7
Current liabilities		**1,826**	**1,627**
TOTAL EQUITY DEFICIT AND LIABILITIES		**4,584**	**4,478**

C. Consolidated statement of recognized income and expense

		Half-year ended June 30,	
(in millions of euros)	**Note**	**2008**	**2007**
Currency translation differences	9	4	19
Gains/(losses) on cash flow hedges	9	(69)	14
Actuarial gains/(losses) on retirement benefits	11	46	176
Tax impact of items taken to equity		8	(11)
Net income/(expense) directly recognized in equity	**9**	**(11)**	**198**
Net profit for the period		78	64
Total recognized income for the period		**67**	**262**
Attributable to:			
Equity holders of Rhodia S.A.		67	260
Minority interests		0	2

D. Consolidated statement of cash flows

	Half-year ended June 30,	
(in millions of euros)	**2008**	**2007**
Net profit for the period attributable to equity holders of Rhodia S.A.	**77**	**62**
Adjustments for:		
Minority interests	1	2
Depreciation and impairment of non-current assets	143	145
Net increase/(decrease) in provisions and employee benefits	(37)	(19)
Net increase/(decrease) in financial provisions	-	1
Share of profit/(loss) of associates	(1)	-
Other income and expense	22	43
Gain/(loss) on disposal of non-current assets	2	(103)
Income tax expense/(income)	2	10
Foreign exchange losses/(gains)	24	6
Net cash flow from operating activities before changes in working capital	**233**	**147**
Changes in working capital		
- (Increase)/decrease in inventories	(92)	11
- (Increase)/decrease in trade receivables	(92)	11
- Increase/(decrease) in trade payables	54	(100)
- Increase/(decrease) in other current assets and liabilities	(27)	5
Net cash from operating activities	**76**	**74**
Purchases of property, plant and equipment	(111)	(130)
Purchases of other non-current assets	(27)	(28)
Proceeds on disposals of entities, net of cash transferred, and non-current assets	(2)	269
(Purchases)/repayments of loans and financial investments	4	(1)
Net cash from/(used by) investing activities	**(136)**	**110**
Dividends paid	(25)	(3)
New non-current borrowings, net of costs	-	631
Repayments of non-current borrowings, net of costs	(8)	(906)
Net increase/(decrease) in current borrowings	63	(8)
Net cash from/(used by) financing activities	**30**	**(286)**
Effect of foreign exchange rate changes	**2**	**7**
Net increase/(decrease) in cash and cash equivalents	**(28)**	**(95)**
Cash and cash equivalents at the beginning of the period	415	467
Cash and cash equivalents at the end of the period	387	372

E. Notes to the condensed consolidated financial statements

1. General information

Rhodia S.A. and its subsidiaries ("Rhodia" or the "Group") produce, market and develop chemicals. Rhodia is the partner of major players in the automotive, tire, electronics, perfume, health & beauty and home care markets.

Rhodia has offices worldwide and specifically in Europe, the United States, Brazil and Asia.

Rhodia S.A. is a public limited company registered and domiciled in France. Its registered office is located at Paris–La Défense.

The company is listed on Euronext Paris.

These condensed consolidated financial statements were reviewed on July 29, 2008 by the Board of Directors.

2. Principal accounting methods

2.1. Accounting standards

Rhodia prepares its condensed consolidated financial statements on a quarterly basis, in accordance with IAS 34, Interim financial reporting. They do not include all the information required for the preparation of the annual financial statements and should be read in accordance with the consolidated financial statements for the year ended December 31, 2007, as included in the reference document filed by Rhodia with the AMF on March 31, 2008.

2.2. Basis of preparation for the consolidated financial statements

The condensed consolidated financial statements for the half-year ended June 30, 2008 were prepared using the same accounting methods as those adopted for the preparation of the consolidated financial statements for the year ended December 31, 2007.

The standards, interpretations and amendments adopted by the European Union at June 30, 2008 and their mandatory adoption in 2008 had no impact on the condensed consolidated financial statements for the half-year ended June 30, 2008. Rhodia has decided not to adopt IFRS 8 Operating segments for the June 30, 2008 financial statements.

According to the Group, the other standards, interpretations and amendments already adopted by the European Union but not yet applicable will have no impact on the financial statements.

The condensed consolidated financial statements are presented in euros and rounded up to the nearest million unless otherwise indicated.

2.3. Estimates

The preparation of financial statements requires the use of estimates and the formulation of judgments and assumptions that have an impact on the application of accounting methods and the amounts shown in the financial statements.

For the preparation of the condensed consolidated financial statements, management made estimates and formulated judgments and assumptions for the same items as those used for the preparation of the consolidated financial statements for the year ended December 31, 2007, except with respect to the following:

- Income tax expense

For interim period-ends, the income tax expense is calculated, for each Group tax entity, by applying the estimated average effective tax rate for the current year to the pre-tax profit or loss for the interim period. This tax rate is calculated by taking into account previously unrecognized deferred tax assets, whose recovery is deemed probable. This probability is estimated according to the same criteria as those applied to annual period-ends.

- Retirement obligations and other long-term employee benefits

For interim period-ends, retirement obligations and other long-term employee benefits are calculated using an extrapolation from the actuarial assessments performed at the previous period-end. These assessments are modified in the event of any significant change in market conditions compared to the previous year or curtailments, settlements or any other material one-off events.

Fluctuations in long-term interest rates (high quality corporate bonds) in both France and the United Kingdom as well as the long-term inflation rate in the United Kingdom in the first half of 2008 led Rhodia to re-estimate retirement obligations and other benefits granted to employees. This re-estimate was performed by independent actuaries. The fair value of the corresponding plan assets was also re-estimated.

- Environmental provisions

Due to significant fluctuations in risk-free interest rates (government bonds) in the Euro zone, the United States and the United Kingdom, environmental provisions were re-estimated at June 30, 2008.

Notes to the consolidated income statement

3. Unusual items with an impact on the condensed consolidated financial statements

No material unusual items had an impact on the condensed consolidated financial statements for the half-year ended June 30, 2008.

4. Seasonality effects

The Group's activity and operating results in the half-year ended June 30, 2008 were not of a seasonal or cyclical nature compared to the activity and operating results for the entire year.

5. Segment information

The following information concerns continuing operations. Information on discontinued operations is presented in Note 8.

Following the announcement of the plan to sell the Isocyanates business, the segment Organics was discontinued. Its 3 businesses were reallocated as follows:

- the Isocyanates business was classified as a discontinued operation as from March 31, 2008,
- the Diphenols business was transferred to Silcea,
- the Fine Chemicals business was transferred to Corporate and Other.

Rhodia was therefore reorganized into the following 6 Enterprises:

- Polyamide whose group structure remains unchanged,
- Novecare whose group structure remains unchanged,
- Silcea which currently includes the Diphenols business of the former company Organics,
- Energy Services whose group structure remains unchanged,
- Acetow whose group structure remains unchanged,
- Eco Services whose group structure remains unchanged.

The 2007 figures were restated so that they could be compared with those for 2008.

5.1. Information by business segment

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other	Group
Quarter ended June 30, 2008*								
Net sales	495	240	195	52	113	70	74	**1,239**
Other revenue	32	5	2	133	1	1	19	**193**
Inter-company sales - Net sales	(10)	-	(1)	-	-	-	(1)	**(12)**
Inter-company sales – Other revenue	(4)	(2)	-	(75)	-	-	(5)	**(86)**
External net sales	**485**	**240**	**194**	**52**	**113**	**70**	**73**	**1,227**
Other external revenue	28	3	2	58	1	1	14	**107**
Operating profit/(loss)	**34**	**21**	**25**	**36**	**10**	**17**	**(28)**	**115**
Share of profit of associates								**1**
Profit/(loss) from financial items								**(56)**
Income tax expense								**(26)**
Profit/(loss) from continuing operations								**34**
Recurring EBITDA (1)	**60**	**30**	**35**	**38**	**17**	**20**	**(13)**	**187**

* These figures were not subject to a limited review by the Company's statutory auditors

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other	Group
Quarter ended June 30, 2007*								
Net sales	509	247	183	41	113	56	86	**1,235**
Other revenue	19	2	8	77	2	2	30	**140**
Inter-company sales - Net sales	(9)	(1)	(1)	(1)	-	-	(1)	**(13)**
Inter-company sales – Other revenue	(5)	-	(2)	(40)	(2)	-	(6)	**(55)**
External net sales	**500**	**246**	**182**	**40**	**113**	**56**	**85**	**1,222**
Other external revenue	14	2	6	37	-	2	24	**85**
Operating profit/(loss)	**26**	**23**	**31**	**30**	**15**	**18**	**(28)**	**115**
Profit/(loss) from financial items								**(84)**
Income tax expense								**(24)**
Profit/(loss) from continuing operations								**7**
Recurring EBITDA (1)	**75**	**33**	**40**	**31**	**22**	**22**	**(27)**	**196**

* These figures were not subject to a limited review by the Company's statutory auditors

(1) Recurring EBITDA: Operating profit or loss before net depreciation, amortization and impairment, restructuring costs and other operating income and expenses.

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other	Group
Half-year ended June 30, 2008								
Net sales	971	475	384	104	226	127	150	**2,437**
Other revenue	66	9	4	324	3	4	35	**445**
Inter-company sales - Net sales	(18)	(1)	(2)	-	-	-	(3)	**(24)**
Inter-company sales – Other revenue	(8)	(3)	(1)	(165)	(1)	-	(9)	**(187)**
External net sales	**953**	**474**	**382**	**104**	**226**	**127**	**147**	**2,413**
Other external revenue	58	6	3	159	2	4	26	**258**
Operating profit/(loss)	**63**	**40**	**41**	**86**	**23**	**26**	**(71)**	**208**
Share of profit of associates								**1**
Profit/(loss) from financial items								**(98)**
Income tax expense								**(37)**
Profit/(loss) from continuing operations								**74**
Recurring EBITDA (1)	**112**	**58**	**62**	**91**	**37**	**33**	**(38)**	**355**

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other	Group
Half-year ended June 30, 2007								
Net sales	990	490	368	84	215	108	182	**2,437**
Other revenue	44	4	13	234	3	4	62	**364**
Inter-company sales - Net sales	(21)	(2)	(2)	(1)	-	-	(3)	**(29)**
Inter-company sales – Other revenue	(10)	(1)	(3)	(93)	(2)	-	(20)	**(129)**
External net sales	**969**	**488**	**366**	**83**	**215**	**108**	**179**	**2,408**
Other external revenue	34	3	10	141	1	4	42	**235**
Operating profit/(loss)	**68**	**46**	**57**	**77**	**27**	**28**	**(63)**	**240**
Profit/(loss) from financial items								**(202)**
Income tax expense								**(50)**
Profit/(loss) from continuing operations								**(12)**
Recurring EBITDA (1)	**142**	**63**	**76**	**83**	**42**	**36**	**(50)**	**392**

(1) Recurring EBITDA: Operating profit or loss before net depreciation, amortization and impairment, restructuring costs and other operating income and expenses.

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other	Group
Year ended December 31, 2007								
Net sales	1 975	931	736	202	441	218	335	4,838
Other revenue	117	8	22	482	6	9	118	762
Inter-company sales - Net sales	(40)	(5)	(4)	-	-	-	(8)	(57)
Inter-company sales – Other revenue	(18)	(1)	(6)	(207)	(3)	-	(64)	(299)
External net sales	**1 935**	**926**	**732**	**202**	**441**	**218**	**327**	4,781
Other external revenue	99	7	16	275	3	9	54	463
Operating profit/(loss)	**156**	**71**	**93**	**165**	**42**	**54**	**(159)**	**422**
Share of profit of associates							2	**2**
Profit/(loss) from financial items								**(294)**
Income tax expense								**(83)**
Profit/(loss) from continuing operations								**47**
Recurring EBITDA (1)	**280**	**109**	**138**	**181**	**83**	**70**	**(103)**	**758**

(1) Recurring EBITDA: Operating profit or loss before net depreciation, amortization and impairment, restructuring costs and other operating income and expenses.

Depreciation, amortization and impairment of property, plant and equipment and intangible assets for the period by business segment break down as follows:

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other	Group
Quarter ended June 30, 2008*								
Depreciation, amortization and impairment	(25)	(8)	(11)	(2)	(7)	(3)	(13)	**(69)**
Quarter ended June 30, 2007*								
Depreciation, amortization and impairment	(26)	(9)	(10)	(1)	(7)	(4)	(9)	**(66)**
Half-year ended June 30, 2008								
Depreciation, amortization and impairment	(48)	(16)	(21)	(6)	(14)	(6)	(28)	**(139)**
Half-year ended June 30, 2007								
Depreciation, amortization and impairment	(50)	(17)	(20)	(6)	(15)	(8)	(21)	**(137)**
Year ended December 31, 2007								
Depreciation, amortization and impairment	(100)	(36)	(40)	(12)	(32)	(16)	(45)	**(281)**

* These figures were not subject to a limited review by the Company's statutory auditors

5.2. Information by geographical area

Total net sales and other revenue by geographical area break down as follows:

(in millions of euros)	Quarter ended June 30,		Half-year ended June 30,		Year ended December 31,
	2008*	2007*	2008	2007	2007
France	183	175	420	410	807
Rest of Europe	375	385	761	775	1,489
North America	237	216	448	433	832
Latin America	197	200	379	399	803
Asia and other countries	342	331	663	626	1,313
Total	**1,334**	**1,307**	**2,671**	**2,643**	**5,244**

* These figures were not subject to a limited review by the Company's statutory auditors

Net sales by geographical area are calculated according to the customer's geographical location.

Capital expenditures (acquisitions of property, plant and equipment, and intangible assets), based on their geographical location, are as follows:

(in millions of euros)	Half year ended June 30,	
	2008	2007
France	65	80
Rest of Europe	11	9
North America	21	27
Latin America	24	16
Asia and other countries	17	26
Total	**138**	**158**

6. Profit/(loss) from financial items

	Quarter ended June 30,		Half-year ended June 30,		Year ended December 31,
(in millions of euros)	2008*	2007*	2008	2007	2007
Finance costs	(93)	(120)	(170)	(269)	(423)
Finance income	37	36	72	67	129
Loss from financial items	**(56)**	**(84)**	**(98)**	**(202)**	**(294)**
Gross interest expense on borrowings	(34)	(72)	(67)	(176)	(245)
Fees and commissions on financial transactions	(8)	(5)	(12)	(13)	(23)
Income from cash equivalents	4	6	10	10	17
Income from available-for-sale financial assets	3	0	3	0	3
Discounting expenses	(42)	(36)	(78)	(70)	(139)
Expected return on pension plan assets	21	24	43	48	94
Gains and losses from derivatives (1)	(1)	(2)	0	(3)	(2)
Foreign exchange gains and losses	1	1	2	1	(3)
Other	0	0	1	1	4

* These figures were not subject to a limited review by the Company's statutory auditors
(1) excluding foreign exchange derivatives

No major refinancing transactions were performed during the first half of 2008.

The total non-recurring expense relating to refinancing transactions was €(96) million as of June 30, 2007.

It breaks down as follows:

- €(91) million in gross expenses corresponding to the penalties on the redemption of High Yield notes:
  - €(59) million with respect to the USD 415 million early redemption of US dollar-denominated High Yield Senior notes bearing interest at 10.25% and maturing in 2010,
  - €(32) million with respect to the early redemption of High Yield Senior and Subordinated notes maturing in 2010 and 2011 for principal amounts of USD 305 million and €332 million.
- €(3) million in fees and commissions on financial transactions corresponding to the accelerated amortization of the origination fees relating to the €300 million syndicated credit line (March 2006 Revolving Credit Facility), subsequent to its replacement by a new €600 million syndicated credit line in April 2007.
- €(2) million in expenses arising from interest-rate derivatives.

7. Income tax

(in millions of euros)	**Quarter ended June 30,**		**Half-year ended June 30,**		**December 31,**
	2008*	**2007***	**2008**	**2007**	**2007**
Current income tax expense	(21)	(20)	(35)	(40)	(58)
Deferred tax income/(expense)	(5)	(4)	(2)	(10)	(25)
Income tax expense for the period	**(26)**	**(24)**	**(37)**	**(50)**	**(83)**

* These figures were not subject to a limited review by the Company's statutory auditors

For the half-year ended June 30, 2008, the current income tax expense mainly corresponds to the income tax reported by the US, Brazilian and Italian entities.

The Group has not modified its estimate of the probability of recovering the deferred tax assets relating to the French and British tax groups. Thus, no new deferred tax asset was recorded for the half-year ended June 30, 2008.

8. Profit/ (loss) from discontinued operations

(in millions of euros)	Quarter ended June 30,		Half-year ended June 30,		Year ended December 31,
	2008*	**2007***	**2008**	**2007**	**2007**
Net sales	73	75	150	199	354
Other revenue	4	4	7	8	14
Operating expenses, net	(75)	(62)	(152)	(207)	(360)
Finance costs, net	-	-	(1)	(2)	(4)
Profit/(loss) from discontinued operations before tax and gains/(losses) on disposals	**2**	**17**	**4**	**(2)**	**4**
Gains/(losses) on disposals	-	(19)	-	79	80
Tax effect	-	(1)	-	(1)	-
Profit/(loss) from discontinued operations	**2**	**(3)**	**4**	**76**	**84**

* These figures were not subject to a limited review by the Company's statutory auditors

Disposals in 2007 and 2008

There were no major disposals in the first half of 2008.

In 2007, Rhodia finalized the following disposals:

- at the end of January, the Silicones business was sold to China National Bluestar Corporation,
- at the end of April, the Spanish phosphates production business of the Corporate and Other segment was sold to Misa Inc,
- on May 14, 2007, Rhodia and SNIA, joint shareholders in Nylstar, finalized the sale of their respective 50% interests in Nylstar to a third party designated by Nylstar's lending banks.

The disposal gains and losses recognized in 2007 mainly related to the sale of the Silicones business and the sale of the Phosphates Production business in Spain.

Disposals in progress at June 30, 2008

During the first half of 2008, Rhodia initiated the disposal of its Aliphatic Isocyanates business (HDI, IPDI and derivatives), intermediates for industrial paints and coatings. These activities are essentially based in Pont-de-Claix (France) and Freeport (USA). On July 7, 2008, Rhodia and Lyondell Chimie TDI SCA announced the signature of the final agreements for the sale to Perstorp.

Notes to the consolidated balance sheet

9. Equity

9.1 Statement of changes in equity

(in millions of euros)	Share capital	Additional paid-in capital	Other reserves: Hedge reserve	Other reserves: Translation reserve	Other reserves: Legal reserve	Deficit	Total	Minority interests	Total
At January 1, 2008	**1,204**	**147**	**2**	**84**	**37**	**(1,863)**	**(389)**	**21**	**(368)**
Appropriation of earnings	-	-	-	-	3	(3)	**-**	-	**-**
Dividends	-	-	-	-	-	(25)	(25)	(2)	**(27)**
Share capital increase	9	(9)	-	-	-	-	**-**	-	**-**
Net profit for the period	-	-	-	-	-	77	**77**	1	**78**
Income and expense directly recognized in equity	-	-	(69)	5	-	54	**(10)**	(1)	**(11)**
Other movements (1)	-	-	-	-	-	8	**8**	-	**8**
At June 30, 2008	**1,213**	**138**	**(67)**	**89**	**40**	**(1,752)**	**(339)**	**19**	**(320)**

(1) Including cost of allotment of bonus shares for €7.8 million

(in millions of euros)	Share capital	Additional paid-in capital	Other reserves: Hedge reserve	Other reserves: Translation reserve	Other reserves: Legal reserve	Deficit	Total	Minority interests	Total
At January 1, 2007	**1,204**	**23**	**2**	**75**	**32**	**(1,989)**	**(653)**	**25**	**(628)**
Dividends	-	-	-	-	-	-	**-**	(3)	**(3)**
Net profit for the period	-	-	-	-	-	62	**62**	2	**64**
Equity component of convertible debt	-	124	-	-	-	-	**124**	-	**124**
Income and expense directly recognized in equity	-	-	14	19	-	165	**198**	-	**198**
Other movements (1)	-	-	-	-	-	5	**5**	(4)	**1**
At June 30, 2007	**1,204**	**147**	**16**	**94**	**32**	**(1,757)**	**(264)**	**20**	**(244)**

(1) Including cost of allotment of bonus shares for €7.7 million

9.2 Share capital and additional paid-in capital

At June 30, 2008, Rhodia's share capital totaled €1,213,044,816, comprising 101,087,068 Rhodia shares with a par value of €12 each.

During the first half of 2008, the exercise of share subscription options resulted in the issue of 1,111 shares.

On January 15, 2008, Rhodia increased its capital by €8,617,512 in accordance with its 2006 plan for the allotment of free shares, i.e. 718,126 shares.

9.3 Dividends

As decided by shareholders at the general meeting on May, 16 2008, Rhodia S.A. paid out the dividends for 2007 for a total of €25 million (€0.25 per share).

9.4 Translation reserve

The movement in the translation reserve attributable to equity holders of Rhodia S.A. amounted to €4 million for the half-year ended June 30, 2008, primarily due to the appreciation of the Brazilian real and the depreciation of the US dollar, the Korean won and the British pound.

9.5 Other movements

On March 17, 2008, the Rhodia Board of Directors approved a new bonus share allotment plan for 342 beneficiaries (2 * 511,980 shares) subject to the conditions governing Rhodia's performance and the continued employment of the beneficiaries (see Note 14).

10. Consolidated statement of cash flows

For the half-year ended June 30, 2008, discontinued operations contributed to net cash from operating activities in the amount of €(7) million and net cash used by investing activities in the amount of €(10) million. They did not contribute to net cash from financing activities.

Paid interests costs on borrowings, net of interest received from cash equivalents, totaled €41 million for the half-year ended June 30, 2008.

Income taxes paid amounted to approximately €19 million.

11. Retirement benefits and similar obligations

Long-term interest rates fluctuated considerably in France and the United Kingdom during the first half of 2008, thus resulting in a re-estimate of retirement obligations and other long-term employee benefits for those countries.

The following discount rates were used:

	France	United Kingdom
At June 30, 2008	**5.50%**	**6.40%**
At December 31, 2007	**5.25%**	**5.70%**

At the same time, in the United Kingdom the long term inflation rate increased by 0.5% compared to December 31, 2007. The fair value of the main plan assets was also re-estimated.

The changes in both discount and inflation rates and the revaluation of the plan assets had the following impacts at June 30, 2008:

(in millions of euros)	**Change in assumptions**	**Revaluation of plan assets**	**Other**
Actuarial gains and losses recognized in equity			
Actuarial gains on retirement and other benefits	57	(8)	(3)
Obligations recognized in liabilities			
Retirement obligations	(57)	8	3
Other employee benefits	(1)	-	-
Income/(expense) recognized in profit or loss			
Other employee benefits	1	-	-

These changes mainly explain the decrease in retirement obligations and similar benefits from €1,246 million at December 31, 2007 to €1,150 million at June 30, 2008.

12. Environmental provisions

Due to significant fluctuations in long-term interest rates during the first half of 2008 in the Euro zone, the United Kingdom and the United States, Rhodia had to re-estimate environmental provisions at June 30, 2008. The increase in the discount rates at June 30, 2008 resulted in a €3 million decrease in provisions.

The discount rates used at June 30, 2008, determined by zone based on a risk-free rate (government bonds) and excluding inflation, are as follows:

	5 years	**10 years**	**20 years**
France (Euro zone)	-	2.60%	-
United Kingdom	3.20%	-	3.00%
United States	0.80%	1.40%	-
Brazil	-	5.50%	5.50%

At June 30, 2008, environmental provisions totaled €197 million, compared to €203 million at December 31, 2007.

At June 30, 2008, there were no significant movements in contingent environmental liabilities estimated at €158 million at December 31, 2007.

13. Claims and litigation

During the half-year ended June 30, 2008, there were no new legal disputes or significant developments in existing litigation at December 31, 2007, except those described below:

In a ruling dated May 20, 2008, the Paris Appeal Court confirmed the decision of the AMF Enforcement Committee rendered on June 21, 2007, which ordered the Company to pay a fine of €750,000.

With regard to the "Erisa" type claims filed in the United States by the beneficiaries of the Company's US pension schemes, the out-of-court settlement (of approximately $2.4 million, fully assumed by the Company's insurers) was approved by the Court, thus terminating these proceedings.

14. Share-based payment

On March 17, 2008, the Rhodia Board of Directors approved a new bonus share plan for 342 beneficiaries (2 * 511,980 shares) subject to the conditions governing Rhodia's performance and the continued employment of the beneficiaries. The terms and conditions of these plans are as follows:

	Plans A		Plans B	
	"2+2"	"4+0"	"2+2"	"4+0"
Number of shares	355,000	156,980	355,000	156,980
Number of beneficiaries	189	153	189	153
Grant date	March 17, 2008		March 17, 2008	
Vesting date	March 18, 2010	March 20, 2012	March 18, 2010	March 20, 2012
Holding period	Minimum March 18, 2012	-	Minimum March 18, 2012	-
Performance criteria	Level of CFROI (Cash Flow Return On Investments), as presented in the consolidated financial statements of the Company for the year ended December 31, 2008		Recurring EBITDA / net sales ratio (including CER activities), as presented in the consolidated financial statements of the Company for the year ended December 31, 2008, exceeding by 2 points the average ratio of a panel of competitors	
Validation of vesting conditions	Board of Directors		Board of Directors	

The expense recognized with respect to share subscription plans and bonus shares in the half-year ended June 30, 2008 totaled €8.6 million. It includes €2.1 million for the cost of the new A and B plans (assumption under which the performance criteria of both plans will be met at December 31, 2008).

15. Subsequent events

No post closing event occurred.

4 STATUTORY AUDITORS' REVIEW REPORT ON THE 2008 HALF-YEAR FINANCIAL INFORMATION

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting and in accordance with the requirements of Articles L. 232-7 of the French Commercial Code (*Code de commerce*) and L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*) , we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Rhodia, for the six months ended June 30, 2008;
- the verification of the information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I – Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Unlike the half-yearly information, the quarterly financial information for 2007 and 2008 was not subject to our review.

Based on our review, and except for the matter mentioned above, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - the standard of IFRSs as adopted by the European Union applicable to interim financial information.

II – Specific verification

We have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements subject to our review.

Except for the matter mentioned above as it may relate to that information, we have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Paris-La-Défense and Neuilly-sur-Seine, July 30, 2008

The Statutory Auditors

KPMG Audit *Département de KPMG S.A.*	PricewaterhouseCoopers Audit
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NOTES

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